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UNCLAS SECTION 01 OF 03 BUCHAREST 000872

SIPDIS

SENSITIVE

DEPT FOR EUR/NCE - WILLIAM SILKWORTH

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [ECON](#) [SOCI](#) [RO](#)

SUBJECT: ROMANIA SET TO SIGN EU ACCESSION TREATY

REF: A) 04 BUCHAREST 3496; B) 04 BUCHAREST 2306; C) 04

BUCHAREST 690

1. (SBU) Summary: Romania will sign its EU accession treaty April 25. Full EU membership is slated for 2007, barring significant backsliding in key areas such as judicial reform and the fight against corruption. While EU accession remains at the top of Romania's foreign policy agenda and enjoys widespread public support, implementing needed reforms, especially in Justice and Home Affairs, competition and agriculture, will prove a significant challenge for the new government. Most EU contacts opine, however, that Romania's 2007 accession remains a "done deal," despite lingering questions about the country's preparedness. End Summary.

EU Membership Tops the Agenda

2. (SBU) Romania is poised to sign its landmark EU accession treaty April 25 at a ceremony in Luxembourg, following the European Parliament's expected stamp of approval April 13. With negotiation chapters closed, the treaty sets the stage for full Romanian EU membership, along with neighboring Bulgaria, in 2007. Romania's center-right National Liberal Party (PNL)-Democratic Party Government (PD), led by President Traian Basescu and PM Calin Popescu-Tariceanu, remains staunchly committed to securing Romania's 2007 European Union (EU) accession, viewing it as the country's single most pressing foreign policy objective. In fact, Romania's 2007 accession enjoys widespread support across the political spectrum and, after Romania's 2004 NATO membership, is viewed by many within the GOR as the final step in solidifying Romania's western orientation after decades of communist rule.

3. (SBU) The Romanian public voices similar optimism--a Eurobarometer survey released February 14, 2005 indicated that Romanians hold the highest degree of trust in the EU (74%), followed by Lithuanians (68%) and Hungarians (64%) of all thirty countries surveyed. Additionally, between 50% and 70% of Romanian respondents expect the EU to play an active and positive role in solving issues such as terrorism, foreign affairs, the economy, crime, environmental protection, healthcare and education.

4. (SBU) Despite these positive marks, the survey also revealed that over 42 percent of those polled have little knowledge of EU institutions, while only 11 percent of respondents indicate they are well-versed on EU affairs. The general public's dismal level of EU knowledge contrasts sharply with the government's official discourse in Brussels and EU capitals, where Romanian officials are regularly seen making the rounds and courting favor from their EU counterparts. PM Tariceanu openly acknowledges that the GOR must step up its public information efforts, especially as Romania moves to implement tough political and economic measures required by accession.

5. (SBU) However, skeptics note that with Romania's predominantly rural population, getting the word out on the EU will be an uphill battle. Many of our contacts tell us that ordinary Romanians only perceive the "up side" of EU accession and either do not understand - or do not want to candidly acknowledge - that EU accession requires meaningful political and economic reforms. In a society in which 35 percent of the population still relies on subsistence agriculture using archaic techniques, analysts predict the agricultural sector will be especially hard hit by EU-mandated reforms. Equally important, Romanian's SMEs and unstructured, overstaffed companies will be confronted with tough competition on the EU single market, forcing them to become more efficient and competitive, possibly costing jobs, or to succumb under EU pressure.

2007 EU Accession: A Rocky Road Ahead?

6. (SBU) Although Romania's EU accession--tied to neighboring Bulgaria's--remains largely on track for now, it will face significant EU scrutiny in the run up to 2007 (Ref A). EU concern about lagging Romanian progress in meeting accession requirements, especially Justice and Home Affairs,

Competition, Environment, and Agriculture prompted the December 2004 addition of a "safeguard clause," that could delay Romania's accession for up to one year, should the European Commission's opinion of Romanian progress take a steep downturn to conclude that Romania is unable to meet its membership obligations. A decision to delay would require a qualified majority vote by the European Council, based on a recommendation by the European Commission. While less severe, two other potentially penalizing clauses, the "Internal Market safeguard clause" and the "Justice and Home Affairs safeguard clause" allow the Commission to force Romania into compliance with EU requirements up to three years after the accession treaty enters into force.

17. (SBU) During a meeting with PolChief, the local EC representative office's DCM affirmed that the EU will keep a close eye on Romania's progress in meeting accession requirements through a series of monitoring reports. The first monitoring report, due in May, "will serve as the bellwether for any potential accession delay," according to Simmons. The report will assess Romania's progress in enhancing the administrative capacity of the Competition Council, enforcing legislation on state aid and anti-trust, and ensuring effective controls of any future state aid. On difficult Justice and Home Affairs issues, EU monitoring requires development of a strategy and action plan for reforming Romania's overburdened and tainted judicial system, a subject which will also be tackled in the report.

18. (SBU) With corruption at the top of EU concerns, the monitoring report will assess Romania's progress in enforcing anti-corruption legislation and the effectiveness of the country's National Anticorruption Strategy---which has recently come under heavy fire from domestic non-governmental organizations and international observers alike for its scant progress in catching and prosecuting the "big fish." Additionally, the Schengen Action Plan for visas must be fully implemented, along with effective measures to clamp down on human trafficking, and increase border controls, a key issue once Romania and Bulgaria become the EU's eastern border in 2007. The EU also requires passage of legislation by the end of March to reform the police and gendarmerie, two entities often plagued by corruption and lack of professionalism.

Accession Delay as a "Last Resort"

19. (SBU) Despite the challenges remaining, EU Commissioner for Enlargement Olli Rehn stated during his February 28 visit to Bucharest that a one-year delay would be a "last resort," diluting the "safeguard clause" threat in the eyes of many political observers here in Bucharest. He also remarked following his meeting with FM Ungureanu that "there is an encouraging beginning, proving that the new government takes this issue very seriously and has planned certain strategies, but they must turn into real results." Our EU contacts echo these sentiments, with one UK embassy official remarking during a meeting with PolOff, that despite remaining GOR accession challenges, the Accession Treaty is "basically a done deal," despite lagging GOR implementation.

Focus on Implementation

10. (SBU) Our EU interlocutors confide that Basescu's efforts to come out swinging on tough issues such as corruption, judicial reform, and economic reform during his first few weeks in office worked to paint a more positive image of Romania in the eyes of many EU member states and the European Parliament--a body which has previously taken a particularly dark view of Romanian accession progress. Evidencing Basescu's drive, our government contacts highlight that a package of laws strengthening existing legislation on graft, tax evasion and related crimes will be presented to parliament by March 31. Since Basescu's swearing-in and his designation of the anti-corruption battle as a "national security priority," the GOR has launched investigations into high profile corruption cases and lifted immunity for former ministers, a significant break from the previous Social Democratic Party (PSD)-led government which frequently appeared to be dragging its feet in the fight against corruption. EU contacts and non-governmental organizations alike voice optimism about the new government's energetic first steps in the anti-corruption fight.

11. (SBU) Additionally, Romania has taken concrete steps to show the EU that it is putting its previously rocky financial house in order. The State Asset Resolution Agency (AVAS) seized the bank accounts of 1392 companies whose arrears to the healthcare budget total \$136 million end-2004, in an effort to improve budget collection and curb state aid to state-owned and party-affiliated companies. The Competition Council also has strengthened its grip on state aid and antitrust legislation, ruling on the termination of state aid for 173 companies in disadvantaged zones, and fining three companies, one of them a major EU

hotel chain, for breach of antitrust legislation.

112. (SBU) Despite these positive steps, most observers caution that the GOR's implementation track record is weak, at best. The EU also is wary of the possibility of snap elections this fall in an effort by Basescu and his team, which now hold a slim majority in the Parliament, to gain more secure footing and capitalize on current PNL-PD approval ratings, hovering at 56 percent, before forging ahead with tough EU reforms. Our EU contacts in Bucharest express concern that instability created by new elections could effectively block progress in implementing EU criteria. Despite cautionary notes from the EU, public remarks by Basescu indicate that he is pushing for early elections between the accession treaty signing in April and September to provide his centrist government with a stronger mandate to fight corruption and bring Romania into the EU in 2007. However, many within Basescu's governing alliance view snap elections unfavorably following many of their tough electoral campaigns last fall, with even PM Tariceanu stating that he wants elections no earlier than January 2007, banking on Romania's January 1, 2007 EU accession.

113. (SBU) Although a more distant possibility, another pitfall lies in the possibility of "enlargement fatigue" setting in before member states ratify Romania's accession (Note: The treaty is set to be ratified by parliament in all 25 current EU member states. In the unlikely case that an EU country fails to ratify the treaty, it would become null and void. End note.) Should the integration of the EU's newest members prove more difficult than expected, one Embassy EU contact noted that a negative swing in political and public opinion "could throw a wrench" in Romania's accession timeline. On the up-side, many observers note that new trade and investment opportunities offered by EU Romania and Bulgaria should offset the cost of bringing the EU's prospective new members into the union.

114. (SBU) On the Romanian domestic side, our contacts in the European Commission's Bucharest office note that Romanian public opinion ratings favoring the EU will likely dip over the next one to two years as implementation of EU regulations, such as deregulating the energy market, begin to affect consumer's pockets, making the tough reforms needed even more difficult for Romania's politicians to implement. The Basescu government and press have begun to warn the public that accession strains will be significant, particularly as non competitive firms and many agricultural units unable to meet higher standards are forced to exit the market.

115. (SBU) Comment: Both political commentators and our EU contacts in Bucharest widely assert that the decision to grant Romania entrance into the EU was largely "political," despite Romania's lagging status behind current EU member states. EU political leaders want to bring Romania into the "European" fold sooner rather than later, even if Romania has not strictly adhered to EU accession requirements. Although unlikely, a one year delay would have a limited impact on Romania's ultimate EU membership, but rather, would be a significant political embarrassment for the PNL-PD alliance government, and a blow for many Romanians who view EU accession, together with NATO membership, as the ultimate proof that Romania has fully joined the West. Not surprisingly, internal and external pressure will weigh heavily on Basescu and his team to fully implement needed reforms to keep Romania on track for 2007. End Comment.

116. (U) AmEmbassy Bucharest's reporting telegrams, as well as daily press summaries, are available on the Bucharest SIPRNet website: www.state.sgov.gov/p/eur/bucharest

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